

TOWNSHIP OF FRASER
Bay County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005



AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Fraser	County Bay
Audit Date March 31, 2005	Opinion Date July 7, 2005	Date Accountant Report Submitted to State: September 19, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

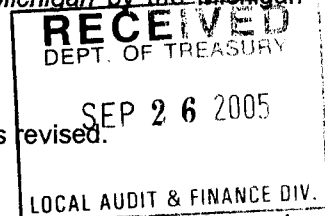
We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |



We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF FRASER
Bay County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 7, 2005

To the Township Board
Township of Fraser
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Fraser, Bay County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Fraser's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Fraser, Bay County, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF FRASER
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Fraser covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$720,588.69 for governmental activities and \$320,079.25 for business activities. Overall total capital assets remained approximately the same.

Overall revenues were \$622,738.31 from governmental activities and \$44,580.22 from business-type activities. Governmental activities had a \$65,892.82 increase in net assets. Business-type activities had a decrease in net assets of \$6,186.73.

Taxable value increased by approximately \$3,000,000.00.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Fire Debt Service Fund, Capital Projects Fund, Solid Waste Fund, Water Fund and the Current Tax Collection Fund.

TOWNSHIP OF FRASER
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Fire Debt Service Fund, Capital Projects Fund, and Solid Waste Fund.

Business-Type Funds: The Township has a Water Fund which includes the activity of providing water to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year we did road work of \$42,545.20.

We continue to make payments on our long-term debts. We did not do any water rate increases this year.

Our cash position in both the governmental and business-type activities remains strong.

The water department fund owes approximately \$1,000,000.00 in loans and bonds.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant was fire protection which incurred expenses of \$54,735.00. The Water Fund incurred \$44,522.78 in depreciation expense.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$1,425.60 in capital assets.

The Township's business-type activities invested \$0 in capital assets.

The Township's governmental activities paid \$101,918.64 of principal on the contract payable.

The Township's business-type activities paid \$70,453.38 of principal on the water bonds payable.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is uncertain and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads and water, where available.

TOWNSHIP OF FRASER
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 1474 N. Mackinaw Road, Linwood, Michigan 48634.

TOWNSHIP OF FRASER
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	664 524 92	101 659 76	766 184 68
Taxes receivable	28 957 95	-	28 957 95
Accounts receivable	7 170 13	107 402 55	114 572 68
Internal balances	<u>70 630 41</u>	<u>(70 630 41)</u>	<u>-</u>
Total Current Assets	<u>771 283 41</u>	<u>138 431 90</u>	<u>909 715 31</u>
NON-CURRENT ASSETS:			
Capital Assets	765 254 60	1 780 911 02	2 546 165 62
Less: Accumulated Depreciation	<u>(490 685 48)</u>	<u>(469 657 26)</u>	<u>(960 342 74)</u>
Total Non-current Assets	<u>274 569 12</u>	<u>1 311 253 76</u>	<u>1 585 822 88</u>
TOTAL ASSETS	<u>1 045 852 53</u>	<u>1 449 685 66</u>	<u>2 495 538 19</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Deferred revenue	<u>-</u>	<u>104 974 42</u>	<u>104 974 42</u>
Total Current Liabilities	<u>-</u>	<u>104 974 42</u>	<u>104 974 42</u>
NON-CURRENT LIABILITIES:			
Notes payable	325 263 84	60 066 57	385 330 41
Bonds payable	<u>-</u>	<u>964 565 42</u>	<u>964 565 42</u>
Total Non-current Liabilities	<u>325 263 84</u>	<u>1 024 631 99</u>	<u>1 349 895 83</u>
Total Liabilities	<u>325 263 84</u>	<u>1 129 606 41</u>	<u>1 454 870 25</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	(50 694 72)	286 621 77	235 927 05
Unrestricted	<u>771 283 41</u>	<u>33 457 48</u>	<u>804 740 89</u>
Total Net Assets	<u>720 588 69</u>	<u>320 079 25</u>	<u>1 040 667 94</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 045 852 53</u>	<u>1 449 685 66</u>	<u>2 495 538 19</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FRASER
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	4 981 73	-	(4 981 73)
General government	204 374 67	36 112 73	(168 261 94)
Public safety	124 461 02	7 711 95	(116 749 07)
Public works	199 114 78	141 015 00	(58 099 78)
Recreation and culture	2 514 83	-	(2 514 83)
Interest on long-term debt	21 398 46	-	(21 398 46)
Total Governmental Activities	<u>556 845 49</u>	<u>184 839 68</u>	<u>(372 005 81)</u>
Business-Type Activities:			
Water	103 233 14	44 580 22	-
Total Business-Type Activities	<u>103 233 14</u>	<u>44 580 22</u>	<u>-</u>
Total Government	<u>660 078 63</u>	<u>229 419 90</u>	<u>(372 005 81)</u>
General Revenues:			
Property taxes			162 612 99
State revenue sharing			236 038 96
Interest			13 469 53
Miscellaneous			25 777 15
Transfers from County			-
Total General Revenues			<u>437 898 63</u>
Change in net assets			65 892 82
Net assets, beginning of year			<u>654 695 87</u>
Net Assets, End of Year			<u>720 588 69</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(4 981 73)
-	(168 261 94)
-	(116 749 07)
-	(58 099 78)
-	(2 514 83)
-	(21 398 46)
-	(372 005 81)
<u>(58 652 92)</u>	<u>(58 652 92)</u>
<u>(58 652 92)</u>	<u>(58 652 92)</u>
<u>(58 652 92)</u>	<u>(430 658 73)</u>
-	162 612 99
-	236 038 96
1 144 45	14 613 98
-	25 777 15
<u>51 321 74</u>	<u>51 321 74</u>
<u>52 466 19</u>	<u>490 364 82</u>
(6 186 73)	59 706 09
<u>326 265 98</u>	<u>980 961 85</u>
<u>320 079 25</u>	<u>1 040 667 94</u>

TOWNSHIP OF FRASER
Bay County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>	<u>Solid Waste</u>	<u>Fire Debt Service</u>	<u>Other Funds</u>
<u>Assets</u>				
Cash in bank	292 052 52	256 036 76	67 893 62	45 781 82
Taxes receivable	9 383 95	13 860 00	5 714 00	-
Accounts receivable	-	-	-	7 170 13
Due from other funds	<u>73 390 61</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>374 827 08</u>	<u>269 896 76</u>	<u>73 607 62</u>	<u>52 951 95</u>
<u>Liabilities and Fund Equity</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>374 827 08</u>	<u>269 896 76</u>	<u>73 607 62</u>	<u>52 951 95</u>
Total fund equity	<u>374 827 08</u>	<u>269 896 76</u>	<u>73 607 62</u>	<u>52 951 95</u>
Total Liabilities and Fund Equity	<u>374 827 08</u>	<u>269 896 76</u>	<u>73 607 62</u>	<u>52 951 95</u>

The accompanying notes are an integral part of these financial statements.

Total

661 764 72

28 957 95

7 170 13

73 390 61

771 283 41

-

-

771 283 41

771 283 41

771 283 41

TOWNSHIP OF FRASER
Bay County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	771 283 41
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	765 254 60
Accumulated depreciation	(490 685 48)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Note payable	<u>(325 263 84)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>720 588 69</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FRASER
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Solid Waste</u>	<u>Fire Debt Service</u>	<u>Other Funds</u>
Revenues:				
Property taxes	88 393 18	-	74 219 81	-
Licenses and permits	8 337 47	-	-	-
State revenue sharing	236 038 96	-	-	-
Charges for services:				
PTAF	29 811 76	-	-	-
Other	250 00	-	-	5 425 45
Interest	10 355 48	2 638 28	475 77	-
Special assessments	-	141 015 00	-	-
Miscellaneous	<u>20 062 13</u>	<u>60 00</u>	<u>5 655 02</u>	
Total revenues	<u>393 248 98</u>	<u>143 713 28</u>	<u>80 350 60</u>	<u>5 425 45</u>
Expenditures:				
Legislative:				
Township Board	4 981 73	-	-	-
General government:				
Supervisor	16 715 95	-	-	-
Elections	4 639 26	-	-	-
Assessor	25 042 40	-	-	-
Clerk	17 090 87	-	-	-
Board of Review	1 056 47	-	-	-
Treasurer	17 352 18	-	-	-
Building and grounds	51 745 00	-	-	-
Cemetery	1 390 00	-	-	-
Unallocated	63 616 54	-	-	-
Public safety:				
Fire protection	54 735 00	-	9 919 58	-
Ambulance	3 375 00	-	-	-
Planning and zoning	10 031 44	-	-	-
Public works:				
Highways and streets	47 445 20	-	-	-
Street lighting	4 948 85	-	-	-
Sanitation	-	142 020 49	-	-
Drains	4 700 24	-	-	-
Culture and recreation:				
Parks	2 412 50	-	-	-
Capital outlay	1 425 60	-	-	-
Debt service	<u>57 606 39</u>	<u>-</u>	<u>65 710 71</u>	<u>-</u>
Total expenditures	<u>390 310 62</u>	<u>142 020 49</u>	<u>75 630 29</u>	<u>-</u>
Excess of revenues over expenditures	2 938 36	1 692 79	4 720 31	5 425 45
Fund balances, April 1	<u>371 888 72</u>	<u>268 203 97</u>	<u>68 887 31</u>	<u>47 526 50</u>
Fund Balances, March 31	<u>374 827 08</u>	<u>269 896 76</u>	<u>73 607 62</u>	<u>52 951 95</u>

The accompanying notes are an integral part of these financial statements.

Total

162 612 99
8 337 47
236 038 96

29 811 76
5 675 45
13 469 53
141 015 00
25 777 15

622 738 31

4 981 73

16 715 95
4 639 26
25 042 40
17 090 87
1 056 47
17 352 18
51 745 00
1 390 00
63 616 54

64 654 58
3 375 00
10 031 44

47 445 20
4 948 85
142 020 49
4 700 24

2 412 50
1 425 60
123 317 10

607 961 40

14 776 91

756 506 50

771 283 41

TOWNSHIP OF FRASER
Bay County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 14 776 91

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(52 228 33)
Capital Outlay	1 425 60

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	101 918 64
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	65 892 82
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FRASER
Bay County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS
March 31, 2005

	<u>Total (Water)</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	101 659 76
Accounts receivable	<u>107 402 55</u>
Total Current Assets	<u>209 062 31</u>
NON-CURRENT ASSETS:	
Capital Assets	1 780 911 02
Less: Accumulated Depreciation	<u>(469 657 26)</u>
Total Non-current Assets	<u>1 311 253 76</u>
TOTAL ASSETS	<u>1 520 316 07</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Due to other funds	70 630 41
Deferred revenue	<u>104 974 42</u>
Total current Liabilities	<u>175 604 83</u>
NON-CURRENT LIABILITIES:	
Note payable	60 066 57
Bonds payable	<u>964 565 42</u>
Total non-current liabilities	<u>1 024 631 99</u>
Total Liabilities	<u>1 200 236 82</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	286 621 77
Unrestricted	<u>33 457 48</u>
Total Net Assets	<u>320 079 25</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 520 316 07</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FRASER
Bay County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –
BUSINESS-TYPE FUNDS
Year ended March 31, 2005

	<u>Total (Water)</u>
OPERATING REVENUES:	
Charges for services:	
Water charges	17 480 00
Special assessments	<u>27 100 22</u>
Total Operating Revenues	<u>44 580 22</u>
OPERATING EXPENSES:	
Water expenses	-
Depreciation	<u>44 522 78</u>
Total Operating Expenses	<u>44 522 78</u>
Operating income	<u>57 44</u>
NON-OPERATING REVENUES (EXPENSES):	
Transfers from County	51 321 74
Interest income	1 144 45
Interest expense	<u>(58 710 36)</u>
Total Non-operating Expenses	<u>(6 244 17)</u>
Change in net assets	(6 186 73)
Net assets, beginning of year	<u>326 265 98</u>
Net Assets, End of Year	<u>320 079 25</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FRASER
Bay County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS
Year ended March 31, 2005

	<u>Total (Water)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	34 838 05
Cash payments to employees for services	<u>-</u>
Net cash provided (used) by operating activities	<u>34 838 05</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal on contracts payable	(70 453 38)
Interest on contracts payable	(58 710 36)
Transfers from County	<u>51 321 74</u>
Net cash provided (used) by capital and related financing activities	<u>(77 842 00)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	<u>1 144 45</u>
Net increase (decrease) in cash	(41 859 50)
Cash beginning of year	<u>143 519 26</u>
Cash End of Year	<u><u>101 659 76</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	57 44
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	44 522 78
(Increase) decrease in receivables	<u>(9 742 17)</u>
Net Cash Provided (Used) in Operating Activities	<u><u>34 838 05</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FRASER
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Fraser, Bay County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Fraser. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

The Township and the Township of Pinconning and the City of Pinconning jointly formed the Pinconning Fraser Fire Department to provide fire protection services for the three local governmental units. The Township of Fraser paid \$54,735.00 to the fire department for the fiscal year ended March 31, 2005. The fire department is not considered a part of the reporting entity of the Township of Fraser. Separate financial statements may be obtained directly from their office in Pinconning, Michigan.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

TOWNSHIP OF FRASER
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund

This fund is used to record revenues which are restricted for the payment of principal and interest on long-term debt.

Capital Projects Fund

This fund is used to account for the acquisition or construction of major capital facilities.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

TOWNSHIP OF FRASER
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 2.1723 mills, and the taxable value was \$74,761,166.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-50 years
Equipment	5-10 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

TOWNSHIP OF FRASER
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting Change (continued)

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$274,569.12.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF FRASER
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

The Township Board has designated five banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>779 410 57</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	400 000 00
Uninsured and Uncollateralized	<u>532 791 35</u>
Total Deposits	<u>932 791 35</u>

The Township of Fraser did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Buildings	753 200 00	-	-	753 200 00
Equipment	<u>10 629 00</u>	<u>1 425 60</u>	<u>-</u>	<u>12 054 60</u>
Total	763 829 00	1 425 60	-	765 254 60
Accumulated Depreciation	<u>(438 457 15)</u>	<u>(52 228 33)</u>	<u>-</u>	<u>(490 685 48)</u>
Net Governmental Capital Assets	<u>325 371 85</u>	<u>(50 802 73)</u>	<u>-</u>	<u>274 569 12</u>
<u>Business-Type Activities:</u>				
Water System	1 780 911 02	-	-	1 780 911 02
Accumulated Depreciation	<u>(425 134 48)</u>	<u>(44 522 78)</u>	<u>-</u>	<u>(469 657 26)</u>
Net Business-Type Capital Assets	<u>1 355 776 54</u>	<u>(44 522 78)</u>	<u>-</u>	<u>1 311 253 76</u>

TOWNSHIP OF FRASER
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	70 630 41	Water	70 630 41
General	<u>2 760 20</u>	Current Tax Collection	<u>2 760 20</u>
Total	<u>73 390 61</u>	Total	<u>73 390 61</u>

Note 6 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
Contracts payable – roads	57 606 39	-	57 606 39	-
Note payable – fire station	369 576 09	-	44 312 25	325 263 84
Note payable – Water line extension	67 141 51	-	7 074 94	60 066 57
1982 Water bonds payable	288 120 00	-	11 760 00	276 360 00
1998 Water bonds payable	716 351 86	-	43 794 44	672 557 42
1997 General obligation bonds	<u>23 472 00</u>	<u>-</u>	<u>7 824 00</u>	<u>15 648 00</u>
Total	<u>1 522 267 85</u>	<u>-</u>	<u>172 372 02</u>	<u>1 349 895 83</u>

Note 7 – Contracts Payable – Roads

The contracts payable represent amounts due to the Bay County Road Commission. The long-term liability of \$57,606.39 was paid during the fiscal year ended March 31, 2005.

Note 8 – Note Payable – Fire Station

On November 22, 2000, the Township obtained a loan in the amount of \$488,485.00 from Lasalle Bank of Illinois to partially fund the construction of a fire sub station. The loan is repayable in ten annual installments beginning November 22, 2001, in the amount of \$65,710.71, including interest at the rate of 5.79% per annum. As of March 31, 2005, \$325,263.84 of the note principal remained outstanding.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
11-22-05	46 877 93	18 832 78	65 710 71
11-22-06	49 592 17	16 118 54	65 710 71
11-22-07	52 463 55	13 247 16	65 710 71
11-22-08	55 501 19	10 209 52	65 710 71
11-22-09	58 714 71	6 996 00	65 710 71
11-22-10	<u>62 114 29</u>	<u>3 596 42</u>	<u>65 710 71</u>
Total	<u>325 263 84</u>	<u>69 000 42</u>	<u>394 264 26</u>

TOWNSHIP OF FRASER
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 9 – Note Payable – Water Line Extension

On December 11, 2001, the Township obtained a loan in the amount of \$80,000.00 from Chemical Bank to fund the extension of water lines. The loan is repayable in ten annual installments beginning January 15, 2003, in the amount of \$10,303.38, including interest at the rate of 4.80% per annum. As of March 31, 2005, the outstanding principal balance was \$60,066.57.

Note 10 – Bonded Debt – Bay County Water Supply System (Fraser – Kawkawlin) Bond Issue

Purpose of issue:	Acquisition of water supply system
Method of payment:	Revenue of water supply system
Date of issue:	10/13/82
Interest rate:	5%
Amount authorized and sold:	\$1,490,000.00
Bonds outstanding at March 31, 2005	\$940,000.00

The following is a detail of bonds outstanding at March 31, 2005. In addition, the Township is obligated to pay its pro rata share of the interest.

<u>Bond Numbers</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Total Principal</u>	<u>Fraser Township Portion</u>
111-118	7-1-05	5%	40 000 00	11 760 00
119-127	7-1-06	5%	45 000 00	13 230 00
128-136	7-1-07	5%	45 000 00	13 230 00
137-145	7-1-08	5%	45 000 00	13 230 00
146-154	7-1-09	5%	45 000 00	13 230 00
155-164	7-1-10	5%	50 000 00	14 700 00
165-174	7-1-11	5%	50 000 00	14 700 00
175-184	7-1-12	5%	50 000 00	14 700 00
185-194	7-1-13	5%	50 000 00	14 700 00
195-205	7-1-14	5%	55 000 00	16 170 00
206-216	7-1-15	5%	55 000 00	16 170 00
217-227	7-1-16	5%	55 000 00	16 170 00
228-238	7-1-17	5%	55 000 00	16 170 00
239-250	7-1-18	5%	60 000 00	17 640 00
251-262	7-1-19	5%	60 000 00	17 640 00
263-274	7-1-20	5%	60 000 00	17 640 00
275-286	7-1-21	5%	60 000 00	17 640 00
287-298	7-1-22	5%	60 000 00	17 640 00
Total			<u>940 000 00</u>	<u>276 360 00</u>

On October 13, 1982, pursuant to an agreement with the Township of Fraser and Kawkawlin, Bay County, issued \$1,490,000.00 of its bonds to finance the cost of construction of Bay County Water Supply System (Fraser – Kawkawlin). The Township of Fraser is responsible for \$438,060.00, 29.4% of the project and the Township of Kawkawlin is responsible for \$1,051,940.00, 70.6% of the project.

Under this agreement, the Township becomes liable for its share of the bond issue and interest thereon in the event that revenues derived from charges to the system users are insufficient to pay therefore. As of March 31, 2005, the bonds outstanding amounted to \$940,000.00 plus interest. Fraser Township's portion of the bonds outstanding is \$276,360.00 which is backed by the full faith and credit of the Township.

TOWNSHIP OF FRASER
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 10 – Bonded Debt – Bay County Water Supply System (Fraser – Kawkawlin) Bond Issue (continued)

In addition, the terms of the agreement provide for the Township to be liable for any deficiency in user charges necessary to cover operations and maintenance of the system, as well as any repairs and replacements or extensions and improvements that are made for the benefits of the Township.

Note 11 – Bonded Debt – Bay County Water Supply System (Fraser – Kawkawlin Extension) Bond Issue

Purpose of issue:	Acquisition of water distribution mains
Method of payment:	Revenue of water supply system
Date of issue:	7/1/98
Interest rate:	4.85% to 5.00%
Amount authorized and sold:	\$1,375,000.00
Bonds outstanding at March 31, 2005	\$1,075,000.00

The following is a detail of bonds outstanding at March 31, 2005. In addition, the Township is obligated to pay its pro rata share of the interest.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Total Principal</u>	<u>Fraser Township Portion</u>
5-1-05	4.85%	75 000 00	46 922 61
5-1-06	4.85%	75 000 00	46 922 61
5-1-07	4.85%	75 000 00	46 922 61
5-1-08	4.85%	75 000 00	46 922 61
5-1-09	4.85%	60 000 00	37 538 09
5-1-10	4.85%	60 000 00	37 538 09
5-1-11	4.85%	65 000 00	40 666 26
5-1-12	4.85%	65 000 00	40 666 26
5-1-13	4.85%	75 000 00	46 922 61
5-1-14	4.85%	80 000 00	50 050 78
5-1-15	4.85%	85 000 00	53 178 96
5-1-16	4.90%	90 000 00	56 307 13
5-1-17	4.95%	95 000 00	59 435 31
5-1-18	5.00%	100 000 00	62 563 49
 Total		 <u>1 075 000 00</u>	 <u>672 557 42</u>

On July 1, 1998, pursuant to an agreement with the Townships of Fraser and Kawkawlin, Bay County issued \$1,375,000.00 of its bonds to finance the cost of construction of the Bay County Water Supply System (Fraser – Kawkawlin Extension). The Township of Fraser is responsible for \$860,247.86, 62.56% of the project and the Township of Kawkawlin is responsible for \$514,753.00, 37.44% of the project.

Under this agreement, the Township becomes liable for its share of the bond issue and interest thereon in the event that revenues derived from charges to the system users are insufficient to pay therefore. As of March 31, 2005, the bonds outstanding amounted to \$1,075,000.00 plus interest. Fraser Township's portion of the bonds outstanding is \$672,557.42.

In addition, the terms of the agreement provide for the Township to be liable for any deficiency in user charges necessary to cover operations and maintenance of the system, as well as any repairs and replacements or extensions and improvements that are made for the benefits of the Township.

TOWNSHIP OF FRASER
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 12 – Bay County 1997 General Obligation Water Bonds

On May 1, 1997, Bay County issued \$790,000.00 of its bonds. The Township of Fraser is responsible for a portion of the bonds plus interest. As of March 31, 2005, the Township of Fraser's outstanding principal balance is \$15,648.00.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Fraser Township Portion</u>
1-1-06	5.1%	7 824 00
1-1-07	5.2%	<u>7 824 00</u>
Total		<u>15 648 00</u>

Note 13 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 14 – Retirement

The Township has a retirement plan that covers all full-time employees of the Township. Under the plan, the Township contributes amounts based on the employees' annual earnings for the purchase of annuities. Employees may contribute additional amounts of their compensation on a voluntary basis. The Township's retirement contributions amounted to \$11,156.60 for the year ended March 31, 2005.

Note 15 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 16 – Building Permits

The Township of Fraser does not issue building permits. Building permits are issued by the Township Code Enforcement Department of Bay County, Michigan.

TOWNSHIP OF FRASER
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	82 000 00	82 000 00	88 393 18	6 393 18
Licenses and permits	7 000 00	7 000 00	8 337 47	1 337 47
State revenue sharing	202 000 00	202 000 00	236 038 96	34 038 96
Charges for services:				
PTAF	24 000 00	24 000 00	29 811 76	5 811 76
Other	1 000 00	1 000 00	250 00	(750 00)
Interest	6 000 00	6 000 00	10 355 48	4 355 48
Miscellaneous	18 000 00	18 000 00	20 062 13	2 062 13
Total revenues	<u>340 000 00</u>	<u>340 000 00</u>	<u>393 248 98</u>	<u>53 248 98</u>
Expenditures:				
Legislative:				
Township Board	5 120 00	5 120 00	4 981 73	(138 27)
General government:				
Supervisor	16 868 00	16 868 00	16 715 95	(152 05)
Elections	5 100 00	5 100 00	4 639 26	(460 74)
Assessor	24 500 00	25 500 00	25 042 40	(457 60)
Clerk	17 768 00	17 768 00	17 090 87	(677 13)
Board of Review	1 200 00	1 200 00	1 056 47	(143 53)
Treasurer	17 703 00	17 703 00	17 352 18	(350 82)
Building and grounds	63 000 00	63 000 00	51 745 00	(11 255 00)
Cemetery	2 800 00	2 800 00	1 390 00	(1 410 00)
Unallocated	63 300 00	68 200 00	63 616 54	(4 583 46)
Public safety:				
Fire protection	58 000 00	58 000 00	54 735 00	(3 265 00)
Ambulance	3 500 00	3 500 00	3 375 00	(125 00)
Planning and zoning	21 340 00	22 340 00	10 031 44	(12 308 56)
Public works:				
Highways and streets	34 000 00	48 000 00	47 445 20	(554 80)
Street lighting	6 601 00	6 601 00	4 948 85	(1 652 15)
Drains	5 200 00	5 200 00	4 700 24	(499 76)
Culture and recreation:				
Parks	4 000 00	4 000 00	2 412 50	(1 587 50)
Capital outlay	2 000 00	2 000 00	1 425 60	(574 40)
Debt service	58 000 00	58 000 00	57 606 39	(393 61)
Total expenditures	<u>410 000 00</u>	<u>430 900 00</u>	<u>390 310 62</u>	<u>(40 589 38)</u>
Excess (deficiency) of revenues over expenditures	<u>(70 000 00)</u>	<u>(90 900 00)</u>	<u>2 938 36</u>	<u>93 838 36</u>
Fund balance, April 1	<u>240 000 00</u>	<u>240 000 00</u>	<u>371 888 72</u>	<u>131 888 72</u>
Fund Balance, March 31	<u>170 000 00</u>	<u>149 100 00</u>	<u>374 827 08</u>	<u>225 727 08</u>

TOWNSHIP OF FRASER
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – SOLID WASTE FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	500 00	500 00	2 638 28	2 138 28
Special assessments	140 000 00	140 000 00	141 015 00	1 015 00
Miscellaneous	-	-	60 00	60 00
Total revenues	<u>140 500 00</u>	<u>140 500 00</u>	<u>143 713 28</u>	<u>3 213 28</u>
Expenditures:				
Public works:				
Sanitation	<u>150 000 00</u>	<u>150 000 00</u>	<u>142 020 49</u>	<u>(7 979 51)</u>
Total expenditures	<u>150 000 00</u>	<u>150 000 00</u>	<u>142 020 49</u>	<u>(7 979 51)</u>
Excess (deficiency) of revenues over expenditures	(9 500 00)	(9 500 00)	1 692 79	11 192 79
Fund balance, April 1	<u>260 000 00</u>	<u>260 000 00</u>	<u>268 203 97</u>	<u>8 203 97</u>
Fund Balance, March 31	<u>250 500 00</u>	<u>250 500 00</u>	<u>269 896 76</u>	<u>19 396 76</u>

TOWNSHIP OF FRASER
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Township Board:	
Salaries	4 680 00
Mileage	301 73
	<u>4 981 73</u>
Supervisor:	
Salary	15 828 00
Mileage	887 95
	<u>16 715 95</u>
Elections:	
Wages	2 911 50
Supplies	1 727 76
	<u>4 639 26</u>
Assessor:	
Salary	21 981 12
Supplies	2 072 50
Miscellaneous	988 78
	<u>25 042 40</u>
Clerk:	
Salary – Clerk	15 828 00
Salary – Deputy	709 75
Supplies	87 27
Mileage	465 85
	<u>17 090 87</u>
Board of Review:	
Salaries	770 00
Printing and publishing	162 75
Miscellaneous	123 72
	<u>1 056 47</u>
Treasurer:	
Salary – Treasurer	15 828 00
Salary – Deputy	677 88
Contracted services	259 00
Mileage	587 30
	<u>17 352 18</u>
Building and grounds:	
Salaries	12 087 63
Utilities	11 294 97
Operating supplies	2 033 71
Contracted services	4 039 67
Repairs and maintenance	11 143 28
Telephone	1 950 65
Insurance	8 682 00
Miscellaneous	513 09
	<u>51 745 00</u>
Cemetery:	
Contracted services	1 390 00

TOWNSHIP OF FRASER
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Unallocated:	
Salaries	699 93
Supplies	4 811 71
Payroll taxes	7 377 52
Retirement	11 156 60
Legal	11 820 57
Audit	4 200 00
Contracted services	4 682 37
Printing and publishing	888 54
Dues and seminars	7 408 10
Miscellaneous	<u>10 571 20</u>
	<u>63 616 54</u>
Fire protection:	
Contracted services	<u>54 735 00</u>
Ambulance:	
Contracted services	<u>3 375 00</u>
Planning and zoning:	
Salaries	6 350 00
Contracted services	2 904 50
Telephone	249 43
Miscellaneous	<u>527 51</u>
	<u>10 031 44</u>
Highways and streets:	
Maintenance	<u>47 445 20</u>
Street lighting:	
Utilities	<u>4 948 85</u>
Drains	<u>4 700 24</u>
Parks:	
Contracted services	782 50
Repairs and maintenance	<u>1 630 00</u>
	<u>2 412 50</u>
Capital outlay	<u>1 425 60</u>
Debt service	<u>57 606 39</u>
Total Expenditures	<u><u>390 310 62</u></u>

TOWNSHIP OF FRASER
Bay County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT
OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>8 870 66</u>	<u>2 351 010 63</u>	<u>2 343 895 20</u>	<u>15 986 09</u>
<u>Liabilities</u>				
Due to other funds	2 716 11	361 362 59	361 318 50	2 760 20
Due to other units	<u>6 154 55</u>	<u>1 989 648 04</u>	<u>1 982 576 70</u>	<u>13 225 89</u>
Total Liabilities	<u>8 870 66</u>	<u>2 351 010 63</u>	<u>2 343 895 20</u>	<u>15 986 09</u>

TOWNSHIP OF FRASER
Bay County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT
OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2005

Cash on hand and in bank – beginning of year	<u>8 870 66</u>
Cash receipts:	
Property taxes	2 326 808 60
Tax collection fees	22 563 61
Interest	<u>1 638 42</u>
Total cash receipts	<u>2 351 010 63</u>
Total beginning balance and cash receipts	<u>2 359 881 29</u>
Cash disbursements:	
Township General Fund	138 269 53
Township Solid Waste Fund	127 155 00
Township Fire Debt Service Fund	68 535 92
Township Water Fund	27 358 05
Bay County	1 167 669 07
Bay Metropolitan Transportation Authority	51 746 68
Delta College	141 335 67
Pinconning Area School District	220 893 15
Bay Arenac Intermediate School District	341 927 38
Linwood Metropolitan Water District	53 981 47
State of Michigan	1 431 40
Refunds	<u>3 591 88</u>
Total cash disbursements	<u>2 343 895 20</u>
Cash on Hand and in Bank – End of Year	<u>15 986 09</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

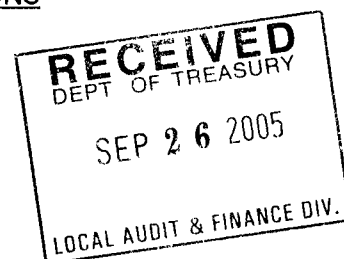
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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 7, 2005

To the Township Board
Township of Fraser
Bay County, Michigan



We have audited the financial statements of the Township of Fraser for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Fraser in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Fraser
Bay County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Fraser began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Fraser
Bay County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants